

RD AN 4218 (1951-C, 4287-B)
October 2, 2006

SUBJECT: Business and Industry Guaranteed Loan
Debt Collection Improvement Act – Referral of Borrowers

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance to State Offices concerning the referral of borrowers to the Treasury Department under the Debt Collection Improvement Act (DCIA) of 1996.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

On January 22, 2004, a Final Rule was published in the Federal Register regarding the Debt Collection Improvement Act (DCIA) of 1996 in order to make debtors aware that the DCIA provisions are applicable to the Business and Industry (B&I) Guaranteed Loan program. Section 1951.133 of RD Instruction 1951-C, “Offsets of Federal Payment to USDA Agency Borrowers,” was previously amended regarding the establishment of Federal debt for the B&I program. This section states that any amounts paid by the Rural Business-Cooperative Service (RBS) on account of liabilities of a B&I Guaranteed Loan borrower will constitute a Federal debt owing to RBS by the B&I Guaranteed Loan borrower. All B&I Guaranteed Loans closed on or after January 22, 2004, are subject to the DCIA provisions. It is the State Office’s responsibility to determine whether a guaranteed loan qualifies for referral under DCIA.

EXPIRATION DATE:
October 31, 2007

FILING INSTRUCTIONS:
Preceding Instruction 1951-C, 4287-B

In such case, RBS will use all remedies available to it under DCIA to collect the debt from the borrower, including referring the debt to the U.S. Treasury for collection via the Cross-Servicing and the Treasury Offset Program (TOP). The date of the Agency's final loss claim payment will establish the date that the debt is due to RBS.

The lender will prepare a final loss claim on Form RD 449-30, "Guaranteed Loan Report of Loss," and submit it to the State Office. After approval by the State Office, the claim will be forwarded to the Finance Office for payment. The State Office will assure that all key member data resident in the Borrower Files in the Guaranteed Loan System (GLS) is accurate. When the Finance Office pays the final loss and updates it to GLS, a DCIA Account Receivable will be established for the borrower subject to the DCIA. Interest charges will be established at the note rate of the guaranteed loan on the date a loss claim is paid. At this time, the lender should cease collection efforts and should be notified in writing, with the exception of any future recoveries of the debt. The DCIA receivable account and all subsequent servicing activities can be viewed by the State Office via the Loan Files in GLS.

If there are questions, please call David Lewis, Chief, Business and Industry Division Servicing Branch at (202) 690-0797.

(Signed by William F. Hagy III) for

JACKIE J. GLEASON
Administrator
Business and Cooperative Programs